CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
INFRASTRUCTURE STATE REVOLVING FUND PROGRAM (ISRF)

STAFF REPORT

EXECUTIVE SUMMARY

Applicant: Coastside County Water District (District)	**Amount Requested:**	$6,756,500
Name of Project: Denniston Creek Water Treatment Plant Improvements Project (Project)	**Requested Financing Term:**	30 years
Project Location: 150 Denniston Creek Road El Granada, CA 94018	**Interest Rate:**	2.79%[1]
	Tier:	Tier 1

Project Description:
The Project consists of the design, construction, and installation of new pre-treatment units that will reduce the raw water turbidity to meet California Department of Public Health requirements; an upgrade of the washwater handling system; and improvements to the original chemical storage and feed systems, plant control system, and raw water pumps.

Use of Financing Proceeds:
Proceeds will be used for design, construction, construction contingency, machinery and equipment, architectural costs, engineering, construction management, permits, administration, and legal and consultant fees.

Source of Repayment: Subordinate Lien on Water System Net Revenues	**Form of Financing Agreement:** Installment Sale Agreement

Scoring Criteria:	**Applicant Score**
Project Impact	30
Community Economic Need	10
Land Use/Environmental Protection/Housing Element	40
Readiness	10
TOTAL	90

I-Bank Staff: Steve Grebner	**Date of Staff Report:** July 21, 2011
Date of I-Bank Board Meeting: July 26, 2011	**Resolution Number:** 11-17

Staff Recommendation:
Staff recommends approval of Resolution No. 11-17 authorizing financing to the Coastside County Water District for the Denniston Creek Water Treatment Plant Improvements Project subject to conditions contained therein.

[1] Rate as of July 01, 2011

PROJECT DESCRIPTION

The Coastside County Water District (District) requests ISRF Program financing for the Denniston Creek Water Treatment Plant Improvements Project (Project). The Project is located within the District in the unincorporated community of El Granada in San Mateo County (County) (Exhibit 1-Project Location Maps). The Project consists of the design, construction, and installation of new pre-treatment units that will reduce the raw water turbidity to meet California Department of Public Health requirements; an upgrade of the washwater handling system; and improvements to the original chemical storage and feed systems, plant control system, and raw water pumps.

The Project consists of the following components, which will be installed and constructed on land and plant already owned by the District:

1. Installation of pre-treatment process consisting of contact clarifiers in pressure vessels.
2. Installation of two waste washwater clarifier-thickener units.
3. Installation of new sludge drying beds.
4. Removal of temporary sodium hypochlorite system and installation of new on-site hypochlorite generation equipment and appurtenances.
5. Installation of new hypochlorite metering pumps and associated controls.
6. Removal of existing and installation of a new caustic soda storage tank, pumps, and piping.
7. Removal of existing and installation of a new potassium permanganate storage tank, mixer, pumps, and piping.
8. Removal of existing and installation of a new polymer metering pump and piping.
9. Installation of a new polymer storage tank.
10. Removal of existing and installation of a new in-line flash mixer.
11. Removal of existing and installation of new alum metering pumps and piping.
12. Installation of a new ferric chloride storage tank, metering pump and piping.
13. Construction of secondary containment for all new chemical storage tanks.
14. Installation of upgrades to the treatment plant control system.
15. Removal of one existing and installation of two new Denniston Creek Reservoir raw water pumps.
16. Miscellaneous structural, valve, piping, electrical, and control improvements.

Pretreatment: The Project will add new pretreatment units that will reduce the raw water turbidity to meet the CDPH limitation as well as clarified water goals included in the California Cryptosporidium Action Plan (CAP) and the California Code of Regulations (CCR) Section 64658 (b) (11). The added pre-treatment will reduce total organic carbon precursors of regulated disinfected byproducts (DBPs), increasing the clarity and purity of the untreated water coming into the water treatment plant, and reducing the by-products (chemicals) of water treatment exiting the plant.

Washwater Handling System: The Project includes an upgrade of the washwater handling system to enable the District to return spent filter backwash water to the head

of the water treatment process with a flow rate and turbidity that complies with the CAP recycle water goals and the Filter Backwash Recycling Rule requirements. The washwater system improvements will eliminate the type of off-site discharge of spent washwater that has caused problems complying with the District's National Pollutant Discharge Elimination System (NPDES) permit in the past. The proposed improvements will also provide the District the ability to handle and dry sludge solids at the DCWTP site rather than transporting and drying the sludge solids at the District's Nunes Water Treatment Plant.

Chemical Storage and Feed Systems: In addition, the Project includes improvements to the original (40 year old) chemical storage and feed systems, plant control system and raw water pumps. In 2008, the District removed the original chlorine gas system and installed a temporary sodium hypochlorite system. Converting the disinfection system to sodium hypochlorite made the disinfection system inherently safer and relieved the District from complying with the California Accidental Release Program administered by the San Mateo County Environmental Health Division. The Project will replace the District-designed temporary hypochlorite system with a permanent engineered on-site hypochlorite generation system that complies with 2010 California Building and Fire Code requirements and the San Mateo County fire sprinkler ordinance. The upgrades to the existing DCWTP control system will permit the District to remotely operate the water treatment processes, and to shut down the DCWTP, if necessary, from the District's Nunes Water Treatment Plant. Replacement of the 40 year old raw water pumps will increase raw water supply reliability and help the District comply with the California Waterworks Standards.

The District owns and operates the Denniston Creek Water Treatment Plant (DCWTP) which was constructed in 1972. The DCWTP was designed to treat up to 1,000 gallons per minute (gpm) and 250 million gallons (MG) per year of local surface water from the Denniston Creek watershed and local groundwater using a direct filtration treatment process. The District has had to limit DCWTP treated water production to approximately 90.5 MG per year (based on a five year average between 2005 and 2009) due to a failure to meet certain California Department of Public Health (CDPH) requirements. Specifically, CDPH prohibits the District from using the existing direct filtration treatment process to treat raw water when turbidity is greater than 20 Nephelometric Turbidity Units (NTU). During the winter months, when the local surface water supply often exceeds 20 NTU, the DCWTP is unable to produce treated water, reducing the yield of local water and reducing the total supply of water available to the District through DCWTP. The District provided a copy of an email from the CDPH dated April 27, 2011, acknowledging receipt of the Project plans for review and stating, "We are hopeful that the improvements will allow CCWD to treat more water (up to 1.5 MGD [million gallons per day]) with higher raw water turbidity (up to 50 NTU).

The Project is being built as part of the District's 10-year capital improvement plan. The Project will modernize the DCWTP, allow the District to increase its locally-sourced raw water from Denniston Creek, and decrease the amount of more expensive raw water it now purchases from the San Francisco Public Utilities Commission (SFPUC). The

District estimates that for every million gallons of water produced by the Project, it will save at least $5,000 in costs associated with buying, pumping, and treating untreated water from the SFPUC. The District's application states that at the projected DCWTP treatment yield of 240 million gallons per year, total savings will exceed $1.2 million per year, increasing as SFPUC water costs rise. Such savings may be passed on to District customers through lower and fewer rate increases.

The District's application states that a reliable, low-cost water supply is necessary to attract, create and sustain long-term employment opportunities in the District's service area and to enhance the quality of life for area residents. Specifically, the District's application states that the ability to increase the local raw water supply from DCWTP is critical to providing a reliable, low-cost water supply to customers such as the floriculture and tourism-related businesses that provide the majority of the local jobs. According to data provided by the Half Moon Bay Chamber of Commerce, the top local employers are the following:

TOP COASTSIDE EMPLOYERS BY EMPLOYEE COUNT	
Nurserymen's Exchange	600
The Ritz-Carlton, Half Moon Bay	500
Bay City Flower Co.	375

In its application, the District's states that these businesses provide nearly 1,500 local jobs in an area with a population of 25,000, are dependent on an adequate supply of water at a predictable cost. The two wholesale nurseries that are the District's largest customers, Nurserymen's Exchange and Bay City Flower Company, accounted for nearly 11% of the District's total water sales in Fiscal Year 2009-2010. The District's application states that mandatory water usage reductions due to inadequate water supplies or unpredictable water pricing would hurt these businesses and could force them to relocate out of the District.

Additionally, the Ritz-Carlton Hotel and the associated Ocean Colony Golf Courses, employing more than 500 people and supporting many additional indirect jobs, anchor the local tourism industry and account for nearly 5% of District water use. The District's application also states that adequate water at predictable costs is critical to these businesses and to sustaining the employment opportunities they provide.

In summation, the District states in its application that the Project will:

1. Provide the District with the ability to use the DCWTP as a year-round drinking water supply, and increasing the yield of local water to ensure that the District will have adequate supply to meet the current and projected needs of its customers.
2. Meet current and foreseeable future drinking water needs, and safety and environmental regulations to allow for continued operation of a reliable and safe public water system, and that a reliable water system is necessary to attract, create, and sustain long-term employment opportunities in the community and to enhance the quality of life for area residents.

3. Generate significant savings in the District's water costs, lowering water rates for District customers.

PROJECT SOURCES AND USES

Project funding is as follows:

PROJECT SOURCES and USES			
Uses	**Sources**		
	I-Bank	**District**	**Total**
Construction & Contingency	$1,853,244		**$1,853,244**
Machinery & Equipment	$2,991,210		**$2,991,210**
Architectural Costs/Engineering/Design/ Permits/Environmental/Construction Management/ Consultant Fees/Administration and Legal Fees	$1,912,046	$183,954	**$2,096,000**
I-Bank Origination Fee		$57,430	**$57,430**
Total	**$6,756,500**	**$241,384**	**$6,997,884**

In its Resolution 2011-08, adopted April 12, 2011, the District committed funds in the amount not to exceed $950,000 to the Project.

ELIGIBILITY CRITERIA

The District and the Project meet all of the statutory and supplemental threshold eligibility criteria.

GENERAL DISTRICT INFORMATION

The District, formed in 1947 under the California County Water District Act of 1913, is located in the City of Half Moon Bay, a coastal community in the County of San Mateo (County), approximately 30 miles south of San Francisco and 48 miles north of the City of Santa Cruz on Highway One, on the Pacific Coast. The District's service area encompasses approximately 14 square miles including the City of Half Moon Bay and several unincorporated communities in the County, such as El Granada, Miramar, and Princeton-by-the-Sea. The District serves a population of approximately 20,000 people by providing clean, reliable water to residential, commercial, and floriculture customers.

The District is operated by a General Manager, District staff, and has an oversight Board of Directors (Board) comprised of five elected members. The Project is located in the community of El Granada.

The three largest industries within the District are floriculture, tourism, and commercial fishing. Reliable water supply is critical to the floriculture and tourism industries. The top producing floriculture crops include ornamental nursery stock, potted foliage plants, lilies, orchards, poinsettias and snapdragons. Over 2 million tourists visit Half Moon Bay annually.

CREDIT ANALYSIS

System Characteristics

System Description: The District owns, operates and maintains a water system (Water System) that consists of 100 miles of transmission and distribution pipeline; two water treatment plants, the DCWTP (the Project site) and the Nunes Water Treatment Plant (NWTP); and 11 treated water storage tanks with combined storage capacity of 8.1 million gallons; and maintains a distribution system that includes three pressure zones, five pump stations, 500 hydrants and 52 miles of water mains.

System Capital Improvements: The District has adopted a ten year (fiscal year (FY) 2011/12 to FY 20/21) Capital Improvement Plan (CIP) consisting of detailed plans for the future needs of the District. The CIP includes over $23.4 million in improvements to the Water System through FY 2020/21. Projects within the CIP are broken out into eight categories: (a) Pipeline Projects, (b) Water Treatment Plants, (c) Facilities and Maintenance, (d) Equipment Purchase and Replacement, (e) Pump Stations/Tanks/Wells, (f) Denniston Water Treatment Plants (Short and Long Term) improvements, (g) Nunes Water Treatment Plant (Short and Long Term), and (h) Water Supply Development.

The District plans to finance its CIP projects with pay-as-you-go funding combined with long term financings such as the I-Bank loan for the Project. The District projects it will need to issue approximately $3 million in debt to fund capital improvement in FY 2013/2014. Major projects that year include the San Vicente Pipeline construction for water supply development and the Pilarcitos Canyon Pipeline replacement.

The CIP includes 2011/12 expenditures of $6.7 million for capital projects, including the Project to be funded with the I-Bank loan. The District expects Project construction to begin August 2011 and to be completed by the end of 2012.

Water Supply, Capacity, and Reliability: The District draws water from two local sources (1) the Pilarcitos Well Field (Well Field) and (2) the Denniston Project, both sources are owned and operated by the District. The Well Field is located in Pilarcitos Creek Canyon. Operation of the Well Field is limited by a state-issued water rights license to November 1 through March 31 of each year. The license also limits the maximum pumping rate to 673 gallon per minute (gpm) and production to 117 million gallons per year (MGY). Since production from the Well Field is dependent upon infiltration from the Pilarcitos Creek stream flow, yield is low during drought years. The District estimates annual production from this source during a normal year to be 48 to 50 MG.

The Denniston Project, located near the Half Moon Bay Airport, draws surface water from Denniston Creek and groundwater from the Denniston Wells. The District diverts water from Denniston Creek under a water rights permit allowing use of up to two cubic

feet per second. The Denniston Creek Pump Station pumps the surface water and the groundwater to the DCWTP for treatment. The District anticipates normal year supply of surface water to be 200 MGY and groundwater to be 40 MGY.

In 1969, the District was issued Water Rights Permit 15882 by the State Water Resources Control Board authorizing diversions from Denniston Creek and San Vicente Creek. The District anticipates obtaining a water rights license following expiration of the extended term of Water Rights Permit 15882 on December 31, 2016. A water rights license confers a permanent right to divert water. The quantity of water licensed for diversion is based on the maximum quantity diverted and put to beneficial use during the term of the water rights permit. The District currently draws water from Denniston Creek and has drawn water from San Vicente Creek, but does not do so currently. However, funding for design and construction of facilities to convey water from San Vicente Creek to the Denniston WTP is included in the District's CIP.

The District also purchases untreated water from the San Francisco Public Utilities Commission (SFPUC) under the 2009 Water Supply Agreement (Agreement) between the SFPUC and its wholesale customers and the 2009 Water Sales Contract between the District and the SFPUC (Contract) executed in 2009. The District has purchased water from the SFPUC since 1947 under the Agreement and is entitled to purchase a maximum of 2.18 million gallons per day (MGD), or approximately 800 MGY; however, the SFPUC may reduce this allocation in drought years.

The SFPUC owns and operates two sources of water (1) Pilarcitos Lake (Lake) and (2) Upper Crystal Springs Reservoir (Upper Reservoir). Water from both sources is available to the District throughout the year. Runoff from the surrounding watershed feeds the Lake. Water from this source is transported to the District's NWTP via gravity pipelines. The District prefers this source because gravity flow avoids power costs associated with pumping water from the Upper Reservoir.

When there is insufficient water stored in the Lake or when the District's demand exceeds hydraulic capacity of the pipelines, the District pumps water from the Upper Reservoir. The Upper Reservoir stores water from runoff from local watersheds as well as from the Hetch Hetchy system. The District pumps water from the Reservoir to the NWTP. Water from the Reservoir is more expensive than the other supply sources due to the electric costs associated with pumping.

Historically the SFPUC has supplied about 80% of the District's water. The District will decrease the amount of water purchased from the SFPUC to about 75% with the help of the Project. The District further wants to increase local sources of water as they anticipate an approximately 25% increase in SFPUC water fees over the next five years.

The number and type of Water System users over the last five years are as follows:

NUMBER OF USERS					
	06/07	07/08	08/09	09/10	10/11
Residential	6,202	6,133	6,216	6,297	6,284
Commercial	1,244	1,318	1,370	1,380	1,398
Agriculture	37	37	36	36	35
TOTAL	**7,483**	**7,488**	**7,622**	**7,713**	**7,717**

Source: The District

User trends remain stable. The Agricultural category includes the critical floriculture industry.

Current Water System usage and revenues as of FY09-10 are as follows:

CURRENT SYSTEM USAGE AND REVENUE				
	Annual Usage (MG)	% of Usage	Annual Gross Revenue	% of Total Revenue
Residential	443.95	61.36	$3,336,901.75	60.06
Commercial	183.96	25.43	$1,489,447.12	26.81
Agriculture	95.59	13.21	729,444.69	13,13
TOTAL	**723.50**	**100.00%**	**5,555,793.56**	**100.00%**

Source: The District

Commercial and Agriculture uses account for 40% of District revenue primarily to the critical floriculture and tourism industries.

Historical and current average per residential unit monthly user charge of the Water System is as follows:

HISTORICAL AND CURRENT AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT					
For Fiscal Year Ending (FYE) June 30,	2006	2007	2008	2009	2010
Residential	$38.69	$40.48	$44.92	$49.40	$ 56.34
% change		4.6%	11.0%	10.0%	14.0%

Source: Application

The District sets rates annually and has increased rates every year since 2001. In March of each year, District staff presents a draft revenue and expense budget, CIP, and recommended rate increase for the coming year to its Board. Following Board consideration in May, the District issues a notice of the proposed rate increase to its customers as required by Proposition 218. After a 45-day notice period, the Board holds a public hearing and takes action on the proposed budget, CIP, and rate increase. Approved rate increase become effective July 1 of that year.

In fiscal year (FY) 2010-2011, the Board approved a 12% increase for FY 2011-2012, to take effect July 1, 2011. The increase is consistent with the recommendations of the

June 2011 Water Financing Plan Update (Financing Plan Update) prepared by Bartle Wells Associates, which the Board acted to accept. The Financing Plan Update projects the rate increases necessary to fund the District's operations, CIP, service debts including the anticipated $6,756,500 I-Bank loan, maintain debt service coverage above 1.20, and maintain adequate reserves.

The following table summarizes the District's rate increases beginning FY 2006-2007 to the present.

HISTORICAL RATE INCREASES	
FY	% INCREASE
2006-2007	7.0
2007-2008	4.6
2008-2009	11.0
2009-2010	10.0
2010-2011	14.0
2011-2012	12.0

Source: The District

The table below compares the District's current average monthly Water System user charge per residential unit to nearby systems.

RATE COMPARISION		
System Name	Location	Average Monthly Residential Charge
Mid Peninsula Water District	Pacifica	$50.30
Coastside County Water District	**Half Moon Bay**	**$56.34**
North Coast County Water District	Pacifica	$57.75
City of Burlingame	Burlingame	$76.46
Montara Water and Sanitary District	Montara	$86.24

Source: The District

The District's current average monthly residential user charge is lower than three of its neighboring communities. The approved 12% rate increase that became effective July 1, 2011, will raise the District's average monthly residential charge to $63.10, midway between its neighboring communities.

The chart below reflects the current top ten Water System users and the user's percent of Water System revenues:

TOP TEN RATEPAYERS		
User	**% of System Use**	**% of System Revenues**
1. Nurserymen's Exchange	**6.91**	**5.96**
2. Bay City Flowers	**5.63**	**4.73**
3. Skylawn Memorial Cemetery	**5.44**	**4.65**
4. Marriott (Ritz Carlton Hotel)	**2.52**	**2.35**
5. Ocean Colony Partners	**2.12**	**1.92**
6. Cabrillo Unified School District	**1.65**	**1.54**
7. Canada Cove Mobile Home Park	**1.15**	**1.70**
8. San Mateo Harbor District	**.56**	**.69**
9. City of Half Moon Bay	**.49**	**.60**
10. Bay Chevron	**.41**	**.38**
TOTAL	**26.88%**	**24.52%**

Source: The District

At 24.52%, revenues from the Water System's top ten ratepayers do not exceed 50% of the Water System's annual revenues. Revenues from no single ratepayer exceeds 15% of Water System revenues. The top ratepayers include the Floriculture (Nurserymen's Exchange and Bay City Flowers) and the Tourism/Hospitality industries (Marriott, Ocean Colony Partners, Canada Cove Mobile Home Park). Commercial and Agriculture uses comprise approximately 40% of the District's water use, while residential uses makes up the other 60%.

Security and Source of Financing Repayment

Source of Revenue to Repay Proposed ISRF Program Financing:	Coastside County Water District (Fund) Net Water System Revenues
Applicant Proposed Lien Position:	[ ] Senior [ ] Senior Parity [x] Subordinate [ ] Subordinate Parity [ ] Other: _____
List Debt that is Senior to Proposed ISRF Program Financing:	a.) Installment Purchase Agreement, Association of Bay Area Governments, dated May 1, 1998. b.) Installment Purchase Agreement, California Statewide Communities Development Authority dated, June 1, 2006.
List Debt On Parity with Proposed ISRF Program Financing:	None
List Debt Subordinate to Proposed ISRF Program Financing:	None
Type of Audited Financial Documents Reviewed:	[ ] Comprehensive Annual Financial Reports (CAFR) [X] Basic Financial Statements (BFS) [ ] Other: _____
Audit Years Reviewed:	2007/2008; 2008/2009; 2009/2010
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the Coastside County Water District, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	[X] Yes [ ] No
Adopted Budget(s) Reviewed:	[X] Yes [ ] No
Budget Years Reviewed:	2011-2012
Rate Study Reviewed:	[ ] No [X] Yes: Coastside County Water District, Water Financing Plan prepared by Bartle Wells Associates on August 2009 (Rate Study)
Applicant's Fiscal Year:	July 1 through June 30

Comparative Statement of Net Assets Analysis

The comparative historical net assets analysis for the Water Fund for the last three fiscal years is as follows:

COMPARATIVE STATEMENT of NET ASSETS						
For Fiscal Year Ending (FYE) June 30,	2008	%	2009	%	2010	%
Source:	BFS		BFS		BFS	
Current Assets						
Cash and Investments	$3,350,653	7.2%	$3,120,914	7.0%	$3,518,440	8.0%
Restricted Cash and Investments	$5,310,556	11.4%	$2,434,253	5.4%	$878,331	2.0%
Accounts Receivables						
Customer Water	$577,542	1.2%	$487,099	1.1%	$484,225	1.1%
Taxes	$42,111	0.1%	$24,707	0.1%	$20,799	0.0%
Interest	$33,595	0.1%	$9,932	0.0%	$3,669	0.0%
Prepaid Expenses	$18,798	0.0%	$15,489	0.0%	$16,325	0.0%
Materials and Supplies Inventory	$157,511	0.3%	$118,157	0.3%	$135,754	0.3%
Unamortized Bond Issuance Costs	$260,166	0.6%	$243,785	0.5%	$227,424	0.5%
Total Current Assets	**$9,750,932**	**21.0%**	**$6,454,336**	**14.4%**	**$5,284,967**	**11.9%**
Noncurrent Assets						
Capital Assets						
Construction in Progress	$7,886,092	17.0%	$3,038,853	6.8%	$4,754,994	10.7%
Utility Plant	$46,448,952	100.1%	$54,225,125	120.8%	$54,444,734	123.0%
Less Accumulated Depreciation	($17,679,502)	-38.1%	($18,818,499)	-41.9%	($20,237,945)	-45.7%
Total Noncurrent Assets	**$36,655,542**	**79.0%**	**$38,445,479**	**85.6%**	**$38,961,783**	**88.1%**
Total Assets	**$46,406,474**	**100%**	**$44,899,815**	**100%**	**$44,246,750**	**100%**
Current Liabilities						
Accounts Payable and Accrued Liabilities	$1,263,410	2.7%	$379,652	0.8%	$237,983	0.5%
Accrued Payroll	$55,741	0.1%	$21,536	0.0%	$57,221	0.1%
Customer Deposits	$51,560	0.1%	$59,250	0.1%	$43,937	0.1%
Unearned Revenue	$87,830	0.2%	$0	0.0%	$0	0.0%
Due to Crystal Springs Assessment District	$68,535	0.1%	$86,619	0.2%	$87,556	0.2%
Total Current Liabilities	**$1,527,076**	**3.3%**	**$547,057**	**1.2%**	**$426,697**	**1.0%**
Noncurrent Liabilities						
Due within One Year	$365,000	0.8%	$387,752	0.9%	$402,752	0.9%
Due after One Year	$8,093,800	17.4%	$7,708,296	17.2%	$7,305,544	16.5%
Net OPEB Obligation	$0	0.0%	$0	0.0%	$54,261	0.1%
Accrued Vacation and Sick Leave	$124,491	0.3%	$76,882	0.2%	$72,814	0.2%
Total Noncurrent Liabilities	**$8,583,291**	**18.5%**	**$8,172,930**	**18.2%**	**$7,835,371**	**17.7%**
Total Liabilities	**$10,110,367**	**21.8%**	**$8,719,987**	**19.4%**	**$8,262,068**	**18.7%**
Net Assets						
Invested in Capital Assets, Net of Related Debt	$24,023,271	51.8%	$30,349,431	67.6%	$31,880,324	72.1%
Restricted for Crystal Springs Project	$1,137,085	2.5%	$130,118	0.3%	$251,571	0.6%
Restriced for Capital Improvements	$4,173,471	9.0%	$2,324,846	5.2%	$2,078,928	4.7%
Unrestricted (All)	$6,962,280	15.0%	$3,375,433	7.5%	$1,773,859	4.0%
Total Net Assets	**$36,296,107**	**78.2%**	**$36,179,828**	**80.6%**	**$35,984,682**	**81.3%**
Total Liabilities and Net Assets	**$46,406,474**	**100.0%**	**$44,899,815**	**100.0%**	**$44,246,750**	**100.0%**

Note: due to a change in the District's auditors in FY 2009, the FY 2008 Statement of Net Assets was presented in a slightly different format than in FYs 2009 and 2010. However, categories aligned across all three years. For comparison and analysis purposes, the FY 2008 Statement of Net Assets was spread in the same format as the FY 2009 and 2010 Statements of Net Assets.

Total Assets decreased $2,159,724 (4.65%) during the three year period reviewed. Changes were concentrated in a decrease in Restricted Cash and Investments due to ongoing capital improvement projects, and an increase in Accumulated Depreciation as those projects came on line. Cash and Investments increased by 5% to $3,518,440 and represents 9.0% of Total Assets. Accounts Receivables, consisting of Customer Water, Taxes, and Interest, decreased 22.13% over the three year period reviewed.

Total Noncurrent Assets net of Accumulated Depreciation increased approximately 8.95% over the three year period reviewed to $38,961,783primarily due to an increase in Utility Plant as CIP projects came on line.

Total Liabilities decreased $1,848,298, or 18.28%, over the three year period reviewed. This was due to a decrease ($1,025,427) in Accounts Payable and Accrued Liabilities as well as a decrease of $788,256 in Liabilities Due after One Year, as the District continued paying down its current liabilities.

The District experienced a large decrease in Restricted Cash and Investments between 2008 and 2010, but also experienced a large decrease in Accounts Payable and Accrued Liabilities. The Current Ratio in 2008 was 6.38 increasing to 12.38 in 2010 indicating a healthy working capital position.

The following table reflects the Water Fund's accounts receivable aging.

ACCOUNTS RECEIVABLE AGING						
Prepared 06/07/11						
Source: Application Exhibit 17						
	Current	**Over 30**	**Over 60**	**Over 90**	**Over 120**	**Total**
	$ 459,181	$ 44,698	$ 5,232	$ 1,078	$ 17,276	$ 527,465
Percent	**87.1%**	**8.5%**	**1.0%**	**0.2%**	**3.3%**	**100.0%**

The table above reflects that the District collects 87.1% of its Accounts Receivable within 30 days of billing and another 8.5% of its Accounts Receivable in the following 30 day period. Accounts over 60, 90, and 120 days are a very low 4.5% of the total Accounts Receivable outstanding.

The District bills all but its large commercial users bi-monthly; large commercial users are billing monthly. All bills are due in full upon receipt and late after 26 days. Following required notifications, water shutoff for non-payment occurs approximately 40 days after billing date.

Comparative Revenues, Expenses, and Changes in Net Assets Analysis

The comparative historical revenues, expenses, and changes in net assets analysis for the Water Fund for the last three fiscal years are summarized below:

COMPARATIVE STATEMENT of REVENUES, EXPENSES, and CHANGES IN NET ASSETS						
For Fiscal Year Ending (FYE) June 30,	2008	%	2009	%	2010	%
Source:	BFS		BFS		BFS	
% Change		3%		2%		
Operating Revenues						
Water Sales	$5,199,490	100.0%	$5,342,937	100.0%	$5,459,958	100.0%
Operating Expenses						
Source of Supply	$1,900,644	36.6%	$1,633,664	30.6%	$1,684,907	30.9%
Pumping	$372,943	7.2%	$374,722	7.0%	$325,118	6.0%
Transmission and Distribution	$1,117,384	21.5%	$1,194,947	22.4%	$1,211,885	22.2%
Administrative and General	$1,702,551	32.7%	$1,898,231	35.5%	$2,197,505	40.2%
Depreciation	$1,185,727	22.8%	$1,329,374	24.9%	$1,438,055	26.3%
Total Operating Expenses	**$6,279,249**	**120.8%**	**$6,430,938**	**120.4%**	**$6,857,470**	**125.6%**
Operating Loss	**($1,079,759)**	**-20.8%**	**($1,088,001)**	**-20.4%**	**($1,397,512)**	**-25.6%**
Nonoperating Revenues (Expenses)						
Property Taxes	$856,774		$894,152		$967,140	
Investment Earnings/Income	$439,408		$85,876		$17,967	
Transmission and Storage Fees	$70,984		$13,940		$121,453	
Connection Fees	$20,074		$7,316		$4,988	
Miscellaneous Income	$96,682		$238,612		$192,573	
Collection fees	($7,269)		($8,798)		($7,531)	
Miscellanenous Fees/Net OPEB Expense	($55,926)		$0		($54,261)	
Interest Expense	($397,450)		($389,012)		($367,246)	
Amortization	($6,982)		$0		$0	
Totla Non-operating Revenues (Expenses)	**$1,016,295**		**$842,086**		**$875,083**	
Income (Loss) Before Contributions	**($63,464)**		**($245,915)**		**($522,429)**	
Capital Contributions						
Capital Contributions	$0		$129,636		$327,283	
Net Income (Loss)	**($63,464)**		**($116,279)**		**($195,146)**	
Change in Net Assets						
Beginning of Year	$36,359,571		$36,296,107		$36,179,828	
End of Year	**$36,296,107**		**$36,179,828**		**$35,984,682**	

Note: due to a change in the District's auditors in FY 2009, the FY 2008 the Statement of Revenues, Expenses, and Changes in Net Assets was presented in a slightly different format than in FYs 2009 and 2010. However, categories aligned across all three years. For comparison and analysis purposes, the FY 2008 Statement of Revenues, Expenses, and Changes in Net Assets was spread in the same format as the FY 2009 and 2010 Statements of Revenues, Expenses, and Changes in Net Assets.

In the three year period reviewed, Water Sales increased 5% overall as a result of the District increasing each year. Operating Expenses for the three year period grew 9%. Overall expense categories remained fairly flat year–to-year. Administrative and General expenses experienced the largest increase in the period, $434,954 or 29%.

Ending Net Assets decreased from 2008 to 2010, $311,425, primarily due to CIP projects coming on line and the related increase in depreciation.

The District experienced operating loss in each of the three year periods reviewed; however, each loss was more than offset by annual Depreciation and Amortization expense.

Review of the FY 2011-2012 Budget indicates the District conservatively budgets revenues to meet expenses. The District has a Water Financing Plan which projects

rate increases needed to meet capital and operating expenses for the 2011-2012 budget and anticipated for the next ten years. The District will follow the plan to have sufficient revenue to cover operating and maintenance expenses, fund new debt service, and maintain a healthy level of reserves.

Cash Flow and Debt Service Analysis

The current and proposed outstanding Water Fund obligations are as follows:

OBLIGATIONS							
Original Financing Amount	**Origination Date**	**Issuer/ Lender**	**Maturity**	**Interest Rate %**	**MADS[1][2]**	**Balance as of 07/01/2011**	**Lien Position/ Repayment Pledge**
$7,295,000	1998	Association of Bay Area Governments Installment Purchase Agreement	10/1/2013	varies	$267,993	$965,000	First lien on System revenues
$2,855,000	2006	California Statewide Communities Development Authority Installment Purchase Agreement	10/1/2032	varies	$483,281	$6,795,000	First lien on net System revenues
Total Senior Debt					**$751,274**	**$7,760,000**	
$6,756,500	2011	*Proposed I-Bank*	2041	2.79	*$353,700*	*$0*	Subordinate lien on net System revenues
Total Subordinate Debt					**$353,700**	**$0**	
Total Aggregate Debt					**$1,104,974**	**$7,760,000**	

[1] Maximum Annual Debt Service

[2] Proposed MADS calculated as $6,756,500 @ 2.97% for 30 years

Date of Debt:	May 1, 1998
Name of Debt:	Installment Purchase Agreement by and between Coastside County Water District and Association of Bay Area Governments relating to Association of Bay Area Governments Water and Wastewater Revenue Bonds (Pooled Financing Program) (ABAG Agreement)
Issuer: **Participant:**	Association of Bay Area Governments District
Security:	First lien on Water System revenues
Rates and Charges Covenant:	120% of the annual debt service
Allows Senior Debt?	[ ] Not mentioned [X] No [ ] Yes
Allows Parity Debt?	[ ] Not mentioned [ ] No [X] Yes with certain conditions.
Allows Subordinate Debt?	[ ] Not mentioned [ ] No [X] Yes
Reserve Fund(s) and/or Rate Stabilization Fund To Be Maintained? Amount?	[ ] No [X] Yes. The amount to be maintained in the Reserve Account, as calculated from time to time, the least of (i) maximum annual Installment Payments, (ii) 125% of average annual Installment Payments or (iii) 10% of the original principal amount of the Installment Payments. The District may deposit during or within 210 days after a Fiscal Year, deposit surplus Water System Net Revenues transferred from the Water System Fund attributable to such Fiscal Year into the Rate Stabilization Fund.
Reserve Fund Required for Senior or Parity Debt?	[X] No [] Yes for Parity Debt. The 1998 Agreement does not allow Senior Debt.
In Compliance With All Terms and Conditions?	The District's application indicates that the District is in compliance with all 1998 Installment Purchase Agreement terms and conditions.

Date of Debt:	June 1, 2006
Name of Debt:	Installment Purchase Agreement by and between Coastside County Water District and California Statewide Communities Development Authority, relating to California Statewide Communities Development Authority Water Revenue Bonds (Pooled Financing Program) Series 2006B (CSCDA Agreement)
Issuer: **Participant:**	California Statewide Communities Development Authority District
Security:	First lien on Water System net revenues on parity with the ABAG Agreement.
Rates and Charges Covenant:	120% of the Annual Debt Service
Allows Senior Debt?	[ ] Not mentioned [X] No [ ] Yes
Allows Parity Debt?	[ ] Not mentioned [ ] No [X] Yes, with certain conditions.
Allows Subordinate Debt?	[ ] Not mentioned [ ] No [X] Yes
Reserve Fund(s) and/or Rate Stabilization Fund To Be Maintained? Amount?	[ ] No [X] Yes. The Amount to be maintained in the Reserve Account, as calculated from time to time, the least of (i) maximum annual Installment Payments, (ii) 125% of average annual Installment Payments or (iii) 10% of the original principal amount of the Installment Payments. The District may deposit during or within 210 days after a Fiscal Year, deposit surplus Water System Net Revenues transferred from the Water System Fund attributable to such Fiscal Year into the Rate Stabilization Fund.
Reserve Fund Required for Senior or Parity Debt?	[ ] No [X] Yes: For Parity Debt. The 2008 Agreement does not allow Senior Debt.
In Compliance With All Terms and Conditions?	The District's application indicates that the District is in compliance with all 2006 Installment Purchase Agreement Terms and Conditions.

Historical Water Fund cash flow and debt service analysis for the proposed financing is presented below:

CASH FLOW				
For Fiscal Year Ending (FYE) June 30,	2008	2009	2010	2011-2012 Budget
Operating Revenue (Loss)	($1,079,759)	($1,088,001)	($1,397,512)	$507,054
+ Depreciation and Amortization	$1,185,727	$1,329,374	$1,438,055	$0
+ Property Taxes	$856,774	$894,152	$967,140	$600,000
+ Investment Earnings/Income	$439,408	$85,876	$17,967	$7,423
+ Transmission & Storage Fees	$70,984	$13,940	$121,453	$0
+ Connection Fees	$20,074	$7,316	$4,988	$8,000
+ Miscellaneous Income	$96,682	$238,612	$192,573	$300,892
- Collection Fees	($7,269)	($8,798)	($7,531)	$0
- Miscellanenous Fees/Net OPEB Expense	($55,926)	$0	($54,261)	$25,000
Cash Available for Debt Service with Connection Fees	**$1,526,695**	**$1,472,471**	**$1,282,872**	**$1,448,369**
Cash Available for Debt Service w/o Connection Fees	**$1,506,621**	**$1,465,155**	**$1,277,884**	**$1,440,369**
Debt Service Calculation				
Senior Debt Service @ MADS[1]				
1998 ABAG[2] Water and Wastewater Revenue Bonds	$267,993	$267,993	$267,993	$267,993
2006B CSCDA[3] Water Revenue Bonds	$483,281	$483,281	$483,281	$483,281
Total Senior MADS	**$751,274**	**$751,274**	**$751,274**	**$751,274**
Senior Debt Service Coverage Ratio w Connection Fees	**2.03**	**1.96**	**1.71**	**1.93**
Senior Debt Service Coverage Ratio w/o Connection Fee	**2.01**	**1.95**	**1.70**	**1.92**
Subordinate Debt Service @ MADS				
Proposed CIEDB[4]	$353,700	$353,700	$353,700	$353,700
Total MADS	$1,104,974	$1,104,974	$1,104,974	$1,104,974
Total Debt Service Coverage Ratio w Connection Fees	**1.38**	**1.33**	**1.16**	**1.31**
Total Debt Service Coverage Ratio wo Connection Fees	**1.36**	**1.33**	**1.16**	**1.30**
[1] Maximum Annual Debt Service				
[2] Association of Bay Area Governments				
[3] California Statewide Communities Development Authority				
[4] Calculated as $6,737,500 @ 2.79% for 30 years				

With the exception of FY 2010, historical cash flow demonstrates the Water Fund's ability to service the proposed ISRF Program financing and existing debt at greater than staff's recommended minimum debt service coverage ratio (DSCR) of 1.20 (Criteria, Priorities, and Guidelines for the ISRF Program require a minimum DSCR of 1.10). The District increased rates in FY 2011 and FY 2012, and projects DSCR greater than 1.20 in FY 2012 as demonstrated in the 2011 – 2012 Budget column above. Staff recommends the District maintain the higher minimum DSCR of 1.20 due to the subordinate position of the ISRF Program financing; the relatively small size of the District; and the concentration of revenues in the floral and tourist industries, both of which are subject to elastic revenues.

Given the historical fiscal strength of the Water Fund and staff's conclusion that there is not otherwise a credit need to require a debt service reserve fund for the proposed ISRF Program financing, staff is recommending that the proposed ISRF Program financing be subordinate to the ABAG Agreement and the CSCSA Agreement, and that no future Water System obligations senior to the ISRF Program loan be allowed. The District has agreed to this financial structure.

Compliance with I-Bank Underwriting Criteria

- I-Bank financing is proposed to be a subordinate lien on Water System net revenues. Historical cash flow exceeds the minimum 1.10 times debt coverage ratio with connection fees and exceeds 1.0 times debt coverage without connection fees.
- Revenues derived from the top ten Water System ratepayers do not exceed 50% of annual Water System revenues.
- Revenues derived from any single ratepayer do not exceed 15% of the Water System revenues.
- The District has the power to establish and enact rates and charges without the approval of any other governing body.

LITIGATION, MANAGEMENT AND ENVIRONMENTAL

Litigation

The District's application indicates that there is no current or anticipated litigation or material controversy that would materially affect its ability to construct the Project or repay the proposed ISRF Program financing.

Project Construction and Management Ability

The District has entered into a construction management contract for the Project with Erler & Kalinowski, Inc. (EKI) Consulting Engineers and Scientists. EKI has extensive experience in managing water/wastewater construction project. They provide construction management and civil and environmental engineering services to public and private clients throughout the United States.

The District has one all inclusive construction contract.

Upon completion of the Project, operating and maintaining the plant will continue to be carried out by District staff.

The District plans to begin Project construction in late July or early August 2011, and understands that if it starts construction prior to I-Bank Board approval, it does so at its own risk.

California Environmental Quality Act (CEQA)

The CEQA process for the Project is as follows:

Project Component	Level Of Required Environmental Clearance	Status Of CEQA Compliance	Recorded NOD Submitted[1]
Denniston Creek Water Treatment Plant Improvements Project	☒ Notice of Exemption ☐ Negative Declaration ☐ Mitigated Neg. Dec. ☐ Environmental Impact Report (EIR)	☐ In Progress Expected date:_____ ☒ Adopted/Approved 05/08/2011	☐ Yes Filed with County Recorder on: _____ ☒ No Required Prior to First Disbursement

(1) NOD means Notice of Determination.

POINT CATEGORY	*ANALYSIS*	*MAX PTS*	*PTS*
Project Impact			
Job Creation/Retention	The Project does not directly create any jobs; however, it will enable the retention of jobs in the floriculture and hospitality industries critical to the area. Since written confirmation of the number of jobs to be retained was not received, no points were given in this category.	**30**	**0**
Economic Base Employers	The three largest employers served by the District predominantly derive sales revenue from outside the community. However, since written confirmation of the number of jobs to be retained was not received, no points were given in this category.	**10**	**0**
Community Employment Development Plan	Not applicable.	**10**	**0**
Quality of Life/Community Amenities	The Project will: 1. Provide the District with the ability to use the DCWTP as a year-round drinking water supply, and increasing the yield of local water to ensure that the District will have adequate supply to meet the current and projected needs of its customers. 2. Meet current and foreseeable future drinking water needs, and safety and environmental regulations to allow for continued operation of a reliable and safe public water system, and that a reliable water system is necessary to attract, create, and sustain long-term employment opportunities in the community and to enhance the quality of life for area residents. 3. Generate significant savings in the District's water costs, lowering water rates for District customers. According to the California Coastal Commission report dated November 20, 2009, following its review of the County of San Mateo Local Coastal Plan Amendment No. SMC-MAJ-107 (Midcoast LCP Update) (CCC Report), pertaining to the mid-peninsula area that encompasses the District's service area, "In 2008, [the District] had a total of 7,589 accounts. 60% of the District's water sales were sold to the residential sector. The second major water user is the floriculture sector, totaling 13% of sales." The CCC Report further states, "[The District] obtains approximately 75% of its supply from the San Francisco Public Utilities Commission (SFPUC) and the remainder from local sources. The San Francisco Public Utilities Commission just approved the Water System Improvement Project, which stipulates that through 2018 it will not provide increases in water deliveries from its sources, and wholesale customers like [the District] will have to generate their own local sources and/or implement conservation and recycled water schemes to meet their demands. In addition, [the District's] website currently has a water shortage advisory for all its customers, stating that due to three	**30**	**30**

	years of below average precipitation, local and imported water sources are affected, the District is monitoring conditions closely, and asks its customers to conserve water usage." Furthermore, the City of Half Moon Bay Local Coastal Program Land Use Plan, Amended 1993 (Half Moon Bay LCP) (although an older planning document it is still in effect) states that that the District would likely not be able to provide sufficient water supply within the planning horizon of 20 years. Thus, the Project will provide a low-cost source of local water sufficient to meet the current and near term needs of the District's customers, including the floriculture and tourism-related businesses, as identified in the CCC Report and the Half Moon Bay LCP.		
Community Economic Need *Community Economic Need points were awarded based upon the County of San Mateo since the Project is located in the County. Data from the American Community Survey (ACS) for 2005-2009, released by the US Census Bureau, was used to calculate points for Median Family Income and Poverty Rate.*			
Unemployment Rate	The San Mateo County's 2010 unemployment rate was 8.9%, which was 71.6% of the State's rate of 12.4%.	**20**	**0**
Median Family Income	According to the ACS, San Mateo County's median family income was $99,351, which is 144.2% of the State's median family income of $68,909.	**15**	**0**
Change in Labor Force Employment	San Mateo County's 2009-2010 change in labor force rate was -0.85%. All negative changes in this category are awarded 10 points.	**10**	**10**
Poverty Rate	According to the ACS, San Mateo County's poverty rate was 7.2%, which was 54.5% of the State's poverty rate of 13.2%.	**10**	**0**

Land Use, Environmental Protection and Approved Housing Element			
Land Use	The Project meets land use first priority since it renews and maintains existing urban areas.	**20**	**20**
Environmental Protection	The Project promotes conservation of natural resources in several ways: 1. Improves water quality downstream of the DCWTP by eliminating the discharge of spent washwater into the Denniston Creek. 2. Eliminates the need to transport sludge solids from the DCWTP to the NWTP thereby reducing fuel consumption and the production of air contaminants. 3. Reduces energy consumption by reducing the need to pump water from the SFPUC and through the replacement of old equipment with more energy efficient equipment. 4. Reduces demand for water from the Hetch Hetchy reservoir and the related Tuolumne River watershed, contributing it preservation and enhancement.	**10**	**10**
Housing Element	The County has an approved Department of Housing and Community Development General Plan Housing Element.	**10**	**10**
Leverage			
Leverage	The I-Bank will contribute 97% of the total Project cost calculated as follows ($6,756,500/$6,997,884); therefore no Leverage points are awarded.	**15**	**0**
Readiness			
Readiness	Construction is projected to start in August 2011.	**10**	**10**
TOTAL		**200**	**90**

STAFF RECOMMENDATIONS

Staff recommends approval of Resolution No. 11-17 authorizing financing to the Coastside County Water District for the Project as follows:

1. **Applicant/Borrower:** Coastside County Water District.
2. **Project:** Denniston Creek Water Treatment Plant Improvements Project.
3. **Amount of Financing:** Not to exceed $6,756,500.
4. **Maturity:** Not to exceed 30 years.
5. **Funding Availability:** ISRF Program financing commitment is subject to the availability of funds from either, or a combination of, proceeds of a revenue bond or I-Bank equity funds. The Borrower shall execute the ISRF Program financing agreement within 210 days of I-Bank Board Approval date, or the commitment of funds may be cancelled by the I-Bank.
6. **Repayment/Security:** Lien on the Water System net revenues and the Water Fund subordinate to the lien of the 1998 Association of Bay Area Governments, Installment Purchase Agreement and the 2006 California Statewide Communities Development Authority Installment Purchase Agreement.
7. **Interest Rate:** 67% of Thompson's Municipal Market Data Index for an "A" rated tax-exempt security with a weighted average life similar to the I-Bank financing based on the rates on July 1, 2011.
8. **Fees:** Financing origination fee of 0.85% of the I-Bank financing and an annual fee of 0.30% of the outstanding principal balance.
9. **Type of Financing Agreement:** Installment Sale Agreement.
10. **Financing Agreement Covenants:** The Installment Sale Agreement shall include, among other things, the following covenants:
    a. Rates and charges shall be maintained sufficient to ensure 1.20 times aggregate annual debt service ratio for obligations senior to and on parity with the ISRF Program financing.
    b. Water System net revenues may not be pledged on a senior basis.
    c. Water System net revenues may be pledged on a parity basis with the ISRF Program financing for future financings if net revenues (adjusted for rate increases and system expansion) will provide a minimum aggregate senior and parity future debt service coverage of 1.20 times maximum annual debt service on all outstanding senior and parity debt, inclusive of the proposed financing.
    d. Borrower shall be authorized to prepay all or a portion of the outstanding principal balance according to the following: 102% of the outstanding principal balance if the prepayment date is on or after ten years, but less than eleven years, from the effective date of the Agreement, or 100% of the outstanding principal amount of the I-Bank bonds to which the Borrower's loan is pledged to repay and scheduled to be called for redemption as a result of the prepayment plus accrued interest on the bonds to be redeemed as of the date scheduled for redemption (Redemption Amount), whichever is greater; 101% of the outstanding principal balance if the prepayment date is on or after eleven years, but less than twelve years, from the effective date of the Agreement or the Redemption Amount, whichever is greater; or without premium if the prepayment date is twelve years or more from the effective date of the Agreement or the Redemption Amount, whichever is greater. The Borrower may on any date provide for a legal

defeasance of the principal amount outstanding and any additional payment then due.

e. An agreement to indemnify I-Bank and its directors, officers and employees from any liability arising from the Installment Sale Agreement or from construction or operation of the Project.

11. **Conditions Precedent to Agreement Execution:**
    a. Adopted Borrower resolution authorizing the execution and delivery of the Installment Sale Agreement and approving certain other matters in connection therewith.
    b. Receipt of an opinion of legal counsel to the Borrower that the Borrower has the legal authority to enter into the Installment Sale Agreement, that there is no litigation currently pending or threatened that would in any way affect pledged revenues, that the Installment Sale Agreement is a legal, binding and enforceable agreement of the Borrower, and that the Borrower is not in default of any agreement or obligation secured by the revenues of the Water System.
    c. Executed Tax Certificate.
12. **Conditions Precedent to Initial Disbursement:** The following are some of the conditions, which will be required precedent to the initial disbursement of I-Bank funds:
    a. Execution of an Installment Sale Agreement consistent with the terms contained herein.
13. **Conditions Precedent to Construction Disbursement for each Project Phase.**
    a. Certificate of the Borrower, the Borrower's legal counsel or other individual acceptable to the I-Bank that the Borrower:
        i. Has obtained any and all lands, rights-of-ways, lot line adjustments, easements, and orders of possession, which are required for construction.
        ii. All required construction permits have been obtained.
    b. For each construction contract:
        i. A written statement by the Borrower, the Borrower's legal counsel or other individual acceptable to the I-Bank that:
            1. All construction contracts necessary for the construction of the Project have been awarded pursuant to applicable competitive bidding requirements and the Borrower's procedures normally required for similar construction projects.
            2. Project costs for the applicable Project component are consistent with the Sources and Uses listed in this staff report.
            3. Appropriate builder's risk insurance has been obtained and the policy names the Borrower as additional insured and loss payee, and contractor has acquired and shall be required to maintain liability insurance and name the Borrower as an additional insured, and contractor shall be required to obtained performance and payment bond provisions and name the Borrower as additional payee.
            4. All construction contracts require payment of prevailing wage rates and compliance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the California Labor Code.
            5. All construction contracts require payment of workers' compensation insurance.
            6. All construction contracts include applicable nondiscrimination provisions.

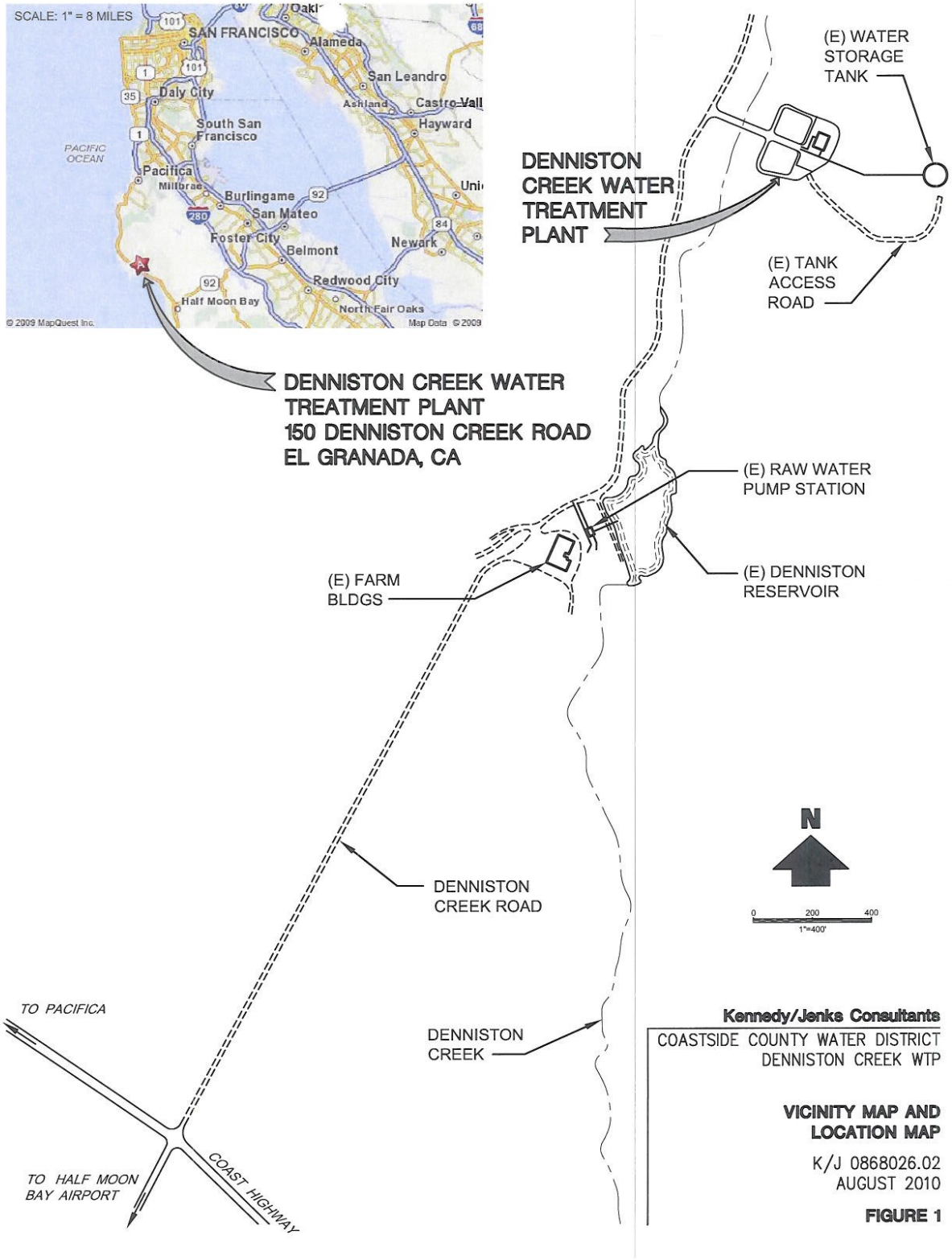
7. The Borrower has utilized the contractor pre-qualification forms developed by the Department of Industrial Relations as set forth in AB 574 (972 of the statues of 1999) codified in Public Contract Code Section 20101 et seq.

ii. Submittal of a copy of the complete construction contract.

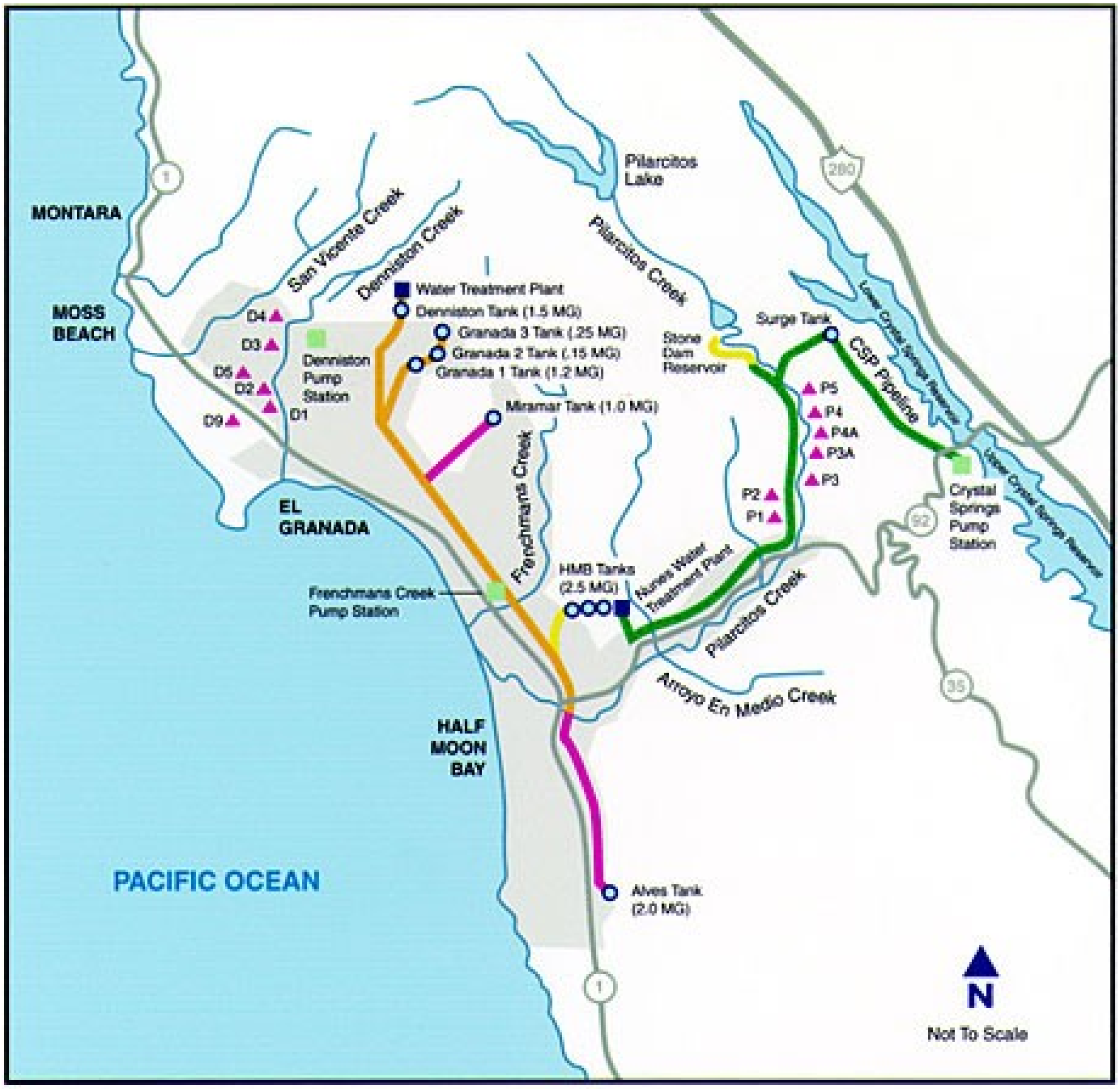
iii. Submittal of a copy of the builder's risk insurance policy, and a copy of the contractor's payment and performance bonds.

14. **Conditions Precedent to Final Disbursement:** The following are some of the conditions precedent to final disbursement of I-Bank funds:
    a. Recorded Notice of Completion or other evidence of completion for each Project component.
    b. Lien waivers for the Project, or passage of the applicable statutory time periods for filing mechanics and other similar liens.
    c. Certification that the Project has been completed in accordance with the approved plans and specifications, and that the completed Project is consistent with the definition of Project in this staff report and is acceptable to the Borrower.
    d. Certification that the Borrower has obtained all licenses and permits (including operating permits), and approvals from any governmental agency or authority having jurisdiction over the Borrower in connection with the Project.
15. **Financial and Other Reporting Requirements:**
    a. Annual Borrower audited financial statements, due to the I-Bank within 210 days of fiscal year end.
    b. Other information as the I-Bank may request from time to time.

EXHIBIT 1 - Project Location Maps



District Map and Water Information



DISTRICT INFORMATION

Treatment Water Storage	7.60 MG
Water Treatment Plants	
Nunes	4.5 mgd
Denniston	1.0 mgd
Transmission Pipeline	17 miles
Distribution Pipeline	83 miles

LEGEND

- District Boundry
- Wells
- Water Storage Tanks
- Pump Station
- Water Treatment Plant
- 10" Pipeline
- 12" Pipeline
- 16" Pipeline
- 18" Pipeline


N
Coastside CWD
Water Resources Map
Coastside CWD Jurisdictional Area
San Mateo County
Lakes
Rivers
Interstate Highway
State Highway
0
0.5
1
2
Miles